

**A NEW HOUSING  
STRATEGY FOR THE  
EARTHQUAKE ZONE**

**WORK PLAN AND  
SCHEDULE**

Prepared for



Armenia Earthquake Zone Housing Activity  
US Agency for International Development / Armenia  
Contract No. EEU-I-99-00015-00, Task Order 801

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August 1999  
UI Project 06901-002

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# **A NEW HOUSING STRATEGY FOR THE EARTHQUAKE ZONE**

## **WORK PLAN AND SCHEDULE**

### **FINANCIAL PLANNING COMPONENT OF EQZ HOUSING STRATEGY**

The major thrust of the Financial Planning Component is the introduction of Housing Purchase Certificates (HPC's). Technical Assistance will assist the Government to develop the framework (legal, institutional and otherwise) to put the HPC Program in place; i.e., banks and government officials trained, financial sector with capacity, government regulations adopted, etc. Then, the Certificates, backed by Government or donor capital deposited in the participating financial institutions/banks, will be distributed and flow through the marketplace to test and refine the concept. The process will be expanded in future phases as more capital comes on line (proposed World Bank loan for the Earthquake Zone (EQZ) housing and other future inputs of capital). There may well be applicability nation-wide in meeting social/assisted-housing obligations.

### **WORK PLAN**

#### ***Background***

Experience in providing housing for various population categories as an obligation of the State demonstrates that the problem may be addressed not only by new housing construction for allocation to the needy in accordance with waiting list criteria, but also through a system of State subsidies for the purchase of units already available on the market. The subsidization may be organized in the form of special housing certificates issued to certify the rights of certificate holders to spend a specified amount for the purchase of housing.

In particular, in the Russian Federation subsidizing housing purchase by means of housing certificates was used to provide housing to military officers withdrawn from the Baltic States, and to miners in the Perm region.

However, the broadest experience with such a subsidy was acquired within the framework of the Presidential Program "State Housing Certificates" (SHC) for retired military officers. SHC is a registered certificate, which confirms the right to a subsidy for purchase of available housing. The certificate is valid for 6 months. The recipient is free to choose the place of residence, with no restrictions imposed by the program.

The certificate-based subsidizing has proven viability and budget efficiency:

- First, the procedures for use of the subsidy by means of certificates are highly transparent and may be readily regulated.

- Second, purchase of existing housing reduces budget expenditures, and are, on the average, 1.5-1.7 times less than new construction (in Russia).

When structuring a subsidy program in the form of housing certificates, the following program parameters should be defined:

- Identification of recipients
- Amount of subsidy to be stated in the certificate
- Procedures for issuing the certificates, and for disseminating information about the program
- Procedures ensuring availability of units which can be brought by holders of the certificates
- Collection and dissemination of information on the housing market among the program participants
- Certificate registration procedures
- Identification of the effective term of the certificate
- Procedures for selecting and buying housing with the use of certificates
- Identification of the amount of bank fees for servicing holders of the certificates
- Monitoring of the program administration in issuance of certificates and purchase of housing

Within the framework of the Financial Strategy of the Armenian Government in providing housing to families who have lost shelter in the earthquake, it is proposed to use Housing Purchase Certificates (HPC's) as one of the main instruments to achieve this goal.

### **Activities**

The consulting team will concentrate its activities in the following areas:

- Formulation of draft regulations, instructions, and recommendations for launching an Armenian pilot project to issue certificates in January 2000.



- Commenting on and editing the regulations in collaboration with the Presidential Commission on the Earthquake Zone, the Government, National Assembly, and the Central Bank of Armenia.
- Preparation of recommendations on the criteria for selecting participant banks for the pilot HPC program.
- Training seminars on HPC servicing technologies for personnel of the participating banks.
- Preparation of recommendations on monitoring the HPC pilot program.
- Monitoring the HPC pilot program.
- Preparation of documents for the comprehensive HPC program (proposals on the amount of subsidy and correction of the deficiencies identified during the pilot stage).
- Monitoring price dynamics of the Armenian housing market during the pilot project to analyze the impact of the project on the housing market (supply and demand equilibrium; structure of supply; total volume of transactions; flow of certificate holders in terms of selection of housing in the former or new place of residence).

### ***Anticipated Results***

It is anticipated that the technical assistance activities will produce the following results:

- The legislative and executive authorities and the Central Bank of Armenia will enact the documents for the implementation of the pilot project.
- Organizations responsible for implementation of the pilot HPC project are identified.
- The first housing certificates are issued in January 2000.
- Analytical report on the results of the pilot project is prepared.

### Time Line

August 1999	Draft Concept of Certificate Program and Experimental Project is prepared.
September 1999	The Concept is accepted at a meeting of the President's EQZ Commission; the Concept contains agreements on certain political decisions where allocation of powers or responsibilities within the Government is involved (who issues certificates, who selects banks, who acts as implementation agency etc.) Draft Government Decree on Pilot Project with all annexes is prepared.
October 1999	The Government adopts the Decree on the Experimental Certificate Project. Detailed instructions for banks, implementation agencies and participants are prepared.
November 1999	Selection of bank(s) occurs and adequate training is provided; seminars for Government officials involved are conducted.
December 1999	Implementation Agency delegation visits Gyumri (it is expected that the pilot project will be limited to Gyumri) and allocates housing certificates.
January to May 2000	Monitoring pilot program implementation (with all program participants interviewed); further investigation of real estate market in the country; Preparation of the Governmental program and a Government Decree on a comprehensive Certificate Program.
February to April 2000	Further investigation of the waiting list system in conjunction with the <i>Social Planning Strategy Component</i> ; elaboration of recommendations on eligibility criteria to be included in the Program.
July 2000	Government issues decree on State Housing Certificate program; National seminar on Housing Policy in the EQZ with donors invited; New Housing Policy priorities reflected in the draft of 2001 budget.

The work schedule was prepared on the assumption that the first certificates are to be issued in January 2000. The entire activity is programmed for 18 months. In case issuance of the first certificates is postponed, the work schedule may be adjusted in accordance with the new plan.

## SOCIAL PLANNING COMPONENT OF EQZ HOUSING STRATEGY

The Social Planning Strategy Component does not necessarily require revising the “waiting lists”, i.e., the order of preference. This should remain the responsibility of the Government of Armenia and local governments. However, the Strategy recommends:

- Targeting the households as “their names are called” for consideration of benefits/compensation.



- Offering a one-time partial compensation to a broader group of eligible households, which may be in a position to use their own resources as part of the solution to improve their housing situation.

Technical assistance may be provided to the local governments in order to demonstrate means-tested targeting. What is learned from this process may be used to assist the Government in ultimately reforming the beneficiary selection system in the EQZ (and have applicability nationwide for social housing programs, housing allowances, etc.).

## **WORK PLAN**

### ***Background***

The EQZ housing allocation experience demonstrates that housing is distributed on the basis of adopted norms of the previous Soviet system (i.e., provided apartment should not exceed 9 sq. m. living space per person), in conjunction with adopted waiting list criteria as well as in accordance the “privilege group” to which the household belongs (i.e., war veterans, invalids, etc., not necessarily related to the 1988 earthquake).

Prior to June 10, 1999, the formation and the execution of the EQZ waiting lists were implemented on the basis of three separate Governmental Decisions (#371, 07.25.1989; #90, 02.23.1990; and #147, 03.07.1992), which precludes a unified approach, and violates principles of social fairness in the process of determination of priority treatment. Existing waiting lists were formulated during a period when the population of the EQZ was more homogeneous in the economic sense. This is why households’ economic conditions were not considered as an important factor at the time.

Today, however, the poverty factor has to be considered while working with waiting lists because, in the 1990’s, real incomes of most families have been reduced significantly and living standards have decreased sharply. In these terms, the realization of Social Assistance programs with widespread use of “proxy-means testing”, which aims to identify economic conditions of households, becomes relevant.

## Activities

The realization of the *social component* of EQZ Housing Strategy involves two broad technical assistance activities:

- Targeting Procedures: Development of a concrete plan for expanding the use of proxy-means testing to identify economic conditions of households within the implementation period of the Social Assistance programs.
- Legal/Institutional Procedures: Development of recommendations on how to better *manage* waiting lists to improve housing conditions of residents in the EQZ.

Within the framework of the first technical assistance activity (*Targeting Procedures*), the following tasks are necessary:

- Analysis of the existing social protection “Paros” program in the Republic on the basis of reports by various organizations working with this program.
- Analysis of the acting “family allowance system” on the basis of reports by various organizations working with this system.
- Conduction of field research and interviews with people having experience with the aforementioned programs and systems (but not necessarily having conducted analyses nor prepared reports).
- Development of recommendations for expanding the use of proxy-means testing to identify economic conditions of households within the implementation period of the Social Assistance programs.
- Preparation of a report with a concrete plan of activities for realization of the *Social Component* of the EQZ Housing Strategy’s recommendations on how to address waiting lists for improvement of housing conditions of residents (using Gyumri only, as the model)
- Estimation of the financial input necessary for implementation of the *Social Plan Component* of the EQZ Housing Strategy.

In order to realize the second activity of technical assistance (*Legal and Institutional Procedures*) it is planned to concentrate on the following:

- Analysis of the situation concerning the use of the current Decision #432\* (or a subsequent Decision repealing #432) (\*note: this Decision is intended to replace all previous decisions on housing allocation in the EQZ).





- Clarify whether there is, in fact, a uniform, comprehensive waiting list.
- Clarify whether other decisions (e.g., #147, #90, #371), that had established the previous order of social housing allocation, are indeed abolished.
- Offer the appropriate Ministry recommendations how to instruct local government offices during implementation of Decision #432 (or its successor Decision).
- Recommendations to the municipal "Housing Issues Committee" (as per Decision #432) on how to improve the housing situation in their communities within the EQZ recovery context.
- Development of procedures and regulations for local governments to insure transparency for working with waiting lists.

### ***Anticipated Results***

It is anticipated that the realization of the *Social Plan Component* of EQZ Housing Strategy will have the following outcomes:

- Increased transparency for waiting list procedures and information (potential beneficiaries will be able to determine their own approximate status and expected compensation).
- Criteria system based on alternative methods for testing and considering household economic conditions, ready to be applied to waiting lists.
- Households on waiting lists are "qualified" in accordance with the aforementioned criteria, based on alternative testing methods, i.e., and means testing.

## Time Line

### Legal and Institutional Procedures

August - September 1999	In anticipation of its amendment or repeal, analysis of the situation concerning the use of the current Decision #432.
August - September 1999	Clarify whether there is, in fact, a national uniform, comprehensive waiting list for the EQZ.
August - September 1999	Clarify whether other Government Decisions that had established the previous procedures of earthquake zone housing allocation, are indeed abolished.
October-November 1999	Offer the appropriate Ministry recommendations on how to instruct local government offices during implementation of Decision #432 (or its successor Decision).
November – December 1999	Recommendations to the municipal "Housing Issues Committee" (as per Decision #432) on how to improve the housing situation in their communities.
September – December 1999	Development of standards for providing transparency in working with waiting lists.

### Targeting Procedures

October-November 1999	Analysis of the existing social protection "Paros" programs in the Republic on the basis of reports of various organizations working with this program.
September-December 1999	Analysis of the acting "family allowance system" on the basis of reports of different organizations working with this system.
September–November 1999	Conduct field research and interviews with people having relationships to the aforementioned programs and systems, (but not having conducted analyses or prepared reports).
January – June 2000	Development of recommendations for expanding the use of "proxy-means testing" to identify economic conditions of households within the implementation period of the Social Assistance programs.
January 2000	Preparation of a report with a concrete plan of activities for realization of the <i>Social Component</i> of the EQZ Housing Strategy's recommendations on how address waiting lists for improving housing conditions of residents in Gyumri.
July 2000	Estimation of the financial input necessary for realization of the <i>Social Component</i> of the EQZ Housing Strategy.
July-December 2000	Review of National Social Protection Policy implications.



July–December 2000

Monitoring of means-testing targeting as applied to households, as they become eligible to receive housing through the waiting list procedures.

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### ***Physical Planning Component of EQZ Housing Strategy***

To advance the Physical Planning Component, a pilot “urban renewal” project (probably a city block in Gyumri) is anticipated. Where a site will be selected based on criteria to be developed, basically, with good potential for recovery, i.e., reinforcing existing empty buildings combined with some new construction activity, also demonstrating mass domic removal, interim solutions for the displaced (relocation schemes). This activity will interface with other program technical assistance activities (i.e., the financial and social planning components). (As a sub-component of this activity, an objective engineering analysis conducted in July 1999 has already determined suitability of damaged building reinforcement as a realistic, economical and safe option. This will support site recovery strategies).

## **WORK PLAN**

### ***Background***

As Armenia was then part of the USSR in 1988 when the earthquake struck, the Soviet authorities decided to initiate major new areas of urban development, as *opposed to* immediately starting to restore damaged areas of the existing cities. In the year or two following the earthquake, great progress was made and many families rehoused, but construction quickly dropped off with the disintegration of the Soviet Union in 1991. Temporary structures and makeshift dwellings (“domics”) remain littered throughout the cities, most evident in Gyumri.

The new *Strategy* sets the goal of providing permanent housing to the remaining earthquake displaced population while enhancing the original cities. The basic approach offers *alternatives* to new construction. This is a consumer-based (“demand-driven”) policy geared to the physical redevelopment of each city that provides eligible beneficiaries with significant choice regarding the type of housing it will receive. The “urban renewal” component introduces a phased program in the old cities organized around a successive selection of sites to be cleared of domics in conjunction with *building reinforcements* and/or other construction.

The Government’s program identifies damaged buildings in the major cities where, if reinforced, can provide permanent shelter for up to 7,000 families, about 30 percent of the identified need as defined by the official waiting list of displaced

households. The *Strategy*, then, places significant importance on building strengthening as a principle alternative for shelter provision.

## **Activities**

### **Inventory of sites and site selection in Gyumri**

On a city plan (of old Gyumri) of an appropriate scale, all sites should be identified where damaged buildings are standing (empty/unoccupied or virtually unoccupied) and have been identified by the 1998 *Government Priority Program* for reinforcement.

A limited number of sites will be selected which meet, as much as possible, the criteria discussed in “A New Housing Strategy for the Earthquake Zone” December 21, 1998; *Chapter 4.1: Physical Planning Strategy Component; Urban Planning Considerations and Recommendations* including:

- Site Location
- Site Potential (lowest investment/incremental cost per housing unit delivered)
- Costs and other “tradeoffs” for displacing domics
- Sites where domics’ presence deprive city residents of important public places of civic value
- Acceptance of citizens who occupy the site

#### Site Selection:

- A city plan (of appropriate scale) should be used to locate the sites selected.
- The cooperating donor and/or Armenian Government) should make selection of 2 or 3 sites for further detailing and consideration.
- On the 2 or 3 sites selected, the consultant should develop a site analysis plan, along with a master plan “scheme” should be developed for the 2 or 3 sites showing:
  - Potential residential building “envelopes” *within which* specific building projects could be designed.
  - Other uses on site, as appropriate and as absolutely required by national planning norms (i.e., parking, green areas, etc.).
  - Expected yields of the additional residential buildings.



- Total yield of housing units for both reinforced buildings and new structures.

The inventory of sites in Gyumri and a recommendation as to the site for the “urban renewal” pilot project will be presented to the cooperating donor on this activity, the American Red Cross, for consideration.

### **Pilot Project: Test strategies for clearing cities of domics**

A strategy must be articulated for an organized approach for clearing sites of domics. City planners must first develop a plan and sequence for an orderly site-by site clearance of domics. This should be based, in part, on logical criteria as enumerated above. Definitive boundaries must be designated for each site depending upon the aforementioned criteria and the overall construction program/budget. Once the site has been surveyed and allocated for restoration, all domic dwellers within the boundaries must be suitably notified that the site has been selected as a priority for reconstruction. In order for this reconstruction to take place, it is necessary for all domics to be removed by a certain date (3 months seems reasonable). Once residents are “registered” (to determine exactly “who” they are), their status will be determined in accordance with the Waiting List, or with other program criteria which may have been put into effect by then.

### **Pilot Project: Temporary housing for domic residents in process of relocation to permanent housing**

A critical element for the success of the site restoration program is the “bridge” from the domic to the permanent-housing unit. A careful program should be designed to deal with this period. It is hoped that, with all preparation, including financing in place, a one-year period would be adequate for residential buildings of the traditional scale (4-5 stories) to be reinforced and/or new buildings to be constructed alongside reinforced buildings on already serviced sites. A one-year period is manageable and acceptable and the following options are suggested in the Earthquake Housing Strategy final report (dated December, 1998) will be further examined and tested:

- **Informal Sponsorship:** If the qualifying households receive a firm commitment in terms of a legal, binding, date-sensitive contract between the State and the family, then there may be some informal arrangements within Armenian society which present themselves.
- **Domic Relocation:** Conceivably, some domics could be physically moved to new State/City managed “staging areas” (serviced sites) for the one year period only.
- **Municipal Domics:** As citizens have received permanent housing, some domics have been surrendered to the City. Many of these are demolished or

otherwise removed. With the aforementioned one-year transitional period being the issue, cities should attempt to accumulate an inventory of domics, even if scattered, in reasonable condition to be used as “bridge housing”.

- **Provision of alternative temporary housing:** Each city may have their own limited residential space, or non-residential space, the latter which could be cost-effectively converted for temporary use for bridge housing.
- **Rent subsidy for privately owned units:** The cities have reported rental markets, which presents another alternative for temporary shelter. Cities could advertise for needed apartments based on guaranteed minimal one-year leases and bargain down below market rates because of their “buying power”.
- **Use of municipal apartments:** Municipalities could set aside a certain amount of apartments for bridge housing from completed but for whatever reasons unallocated/uninhabited apartments in new city regions.

### ***Anticipated Results***

It is anticipated that the pilot project for the *physical planning component* of the EQZ Housing Strategy will have the following outcomes:

- Site selection process for urban renewal projects refined and definitive criteria established.
- A specific site selected by cooperating donor and/or local government for urban renewal project.
- Program developed for managing “domic” clearance as a requisite for commencing urban renewal project activities.
- Program developed for addressing temporary shelter issues for qualifying beneficiaries whose domics are removed.
- Definitive costs determined for building strengthening and/or new construction activities on the inner-city urban renewal site. Domic clearance and disposition.
- Redevelopment of inner city site underway (first urban renewal project started in Gyumri for use as model).



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**Time Line**

August - October 1999	Inventory of sites and site selection in Gyumri.
October–November 1999	Recommendation as to the site for the pilot “urban renewal” pilot project will be presented to the cooperating donor on this activity, the American Red Cross, for consideration.
December 1999	Selection of site for urban renewal pilot by cooperating donor and/or Armenian Government/Gyumri administration.
January-March 2000	Domic Clearance Pilot Project: Develop and test strategies for clearing selected site of domics and determine disposition scheme.
March-June 2000	“Bridge Housing” Pilot Project: Develop Program and test concepts for provision of temporary housing for domic residents in process of relocation to permanent housing on selected site.
March 2000	Urban Renewal Project: Construction starts (contingent upon funding from the cooperating donor, the American Red Cross, or other donor funding/financing and/or funding allocation from Armenian Government/Gyumri Administration).

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